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ABSTRACT

Concise background information on Taiwan is provided. The publication begins with a profile of Taiwan, discussing the people, geography, political establishment, and economy. A map of the country is provided. The bulk of the publication then provides more detailed information on Taiwan's people, geography, history, administration, political conditions, economy, defense, and foreign relations. Relations between Taiwan and the United States are discussed. Principal officials in the Taiwan government are listed, and travel notes, including a discussion of climate and clothing, immigration, health, telecommunications, and transportation are provided. A bibliography of supplementary information is included. (RM)

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background notes

Taiwan

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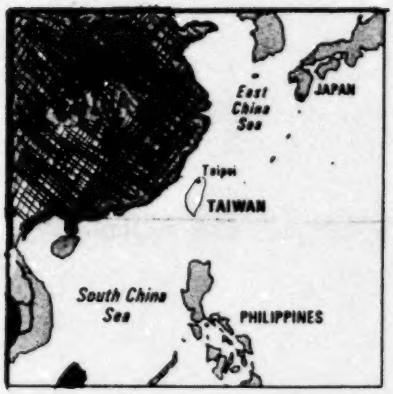

PROFILE

People

Population (1981 est.): 18 million. **Annual growth rate**: 1.92%. **Ethnic groups**: Han Chinese 98%, less than 2% aborigines. **Religions**: Confucianism, Buddhism, Taoism, Christianity. **Languages**: Mandarin Chinese (official). *Principal dialects*—Taiwanese, Hakka. **Education**: *Years compulsory*—9. *Attendance*—99.7%. *Literacy*—89.7%. **Health**: *Infant mortality rate*—11.01/1,000. *Life expectancy*—72.1 yrs. (men 69.6, women 74.5). **Work force** (6,764,000): *Agriculture*—20%. *Industry and commerce*—41%. *Services*—32%. *Civil administration*—7%.

Geography

Area: 35,981 sq. km. (14,000 sq. mi.); about one-third the size of Ohio. **Cities**: *Capital*—Taipei (pop. 2.3 million). *Other cities*—Kaohsiung (1.2 million), Taichung (606,734), Tainan (582,199), Keelung (Jilong)[1] (343,000). **Terrain**: Largely mountainous. **Climate**: Maritime subtropical.

Political Establishment

Type: One-party system, established in 1911 in mainland China, moved to Taiwan 1949. **Constitution**: December 25, 1947.

Branches: President, vice president, premier (president of Executive Yuan or cabinet), Legislative Yuan, Judicial Yuan, Control Yuan, Examination Yuan. **Administrative subdivisions**: Taiwan Province, Taipei, and Kaohsiung special municipalities, certain offshore islands (the most prominent of which are Quemoy and Matsu) of Fujian (Fukien) Province.

Political party: Kuomintang (KMT—Nationalist Party). **Suffrage**: Universal over age 20.

Central budget (1981): $23.2 billion. **Defense** (1981): 9% of GNP.

Emblem: Red field with white sun in blue rectangle in upper left corner. Red, white, and blue symbolize sacrifice, justice, and fraternity.

Economy

GNP (1981): $46.2 billion. **Annual growth rate** (1970–82 avg.): 7.5%. **Per capita GNP** (1981): $2,570. **Avg. inflation rate** (CPI), 1981: 10%.

Natural resources: Small deposits of coal, natural gas, limestone, marble, and asbestos.

Agriculture (10.53% of GNP): *Products*—sugarcane, lumber, sweet potatoes, rice, asparagus, mushrooms, citrus fruits, pineapples, bananas, peanuts, pears. *Cultivated land*—25%.

Industry (35.02% of GNP): Textiles, footwear, electronics, plastics, cement, furniture, other consumer goods, iron, steel, petrochemicals.

Trade (1981): *Exports*—$22.6 billion: textiles, machinery, plastics, metal products, plywood, canned food. *Major markets*—US ($8.2 billion), Japan ($2.5 billion), Hong Kong ($1.9 billion). *Imports*—$21.1 billion: food, raw materials, crude oil, chemicals, pharmaceuticals, capital goods. *Major suppliers*—Japan ($5.9 billion), US ($4.8 billion), Kuwait ($2.2 billion).

Official exchange rate: Floating; about 40 new Taiwan dollars = US$1.

Fiscal year: July 1 of preceding year to June 30 of designated year.

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[1]In accordance with US Government practice, individual and place names are given in pinyin romanization except in the case of those specifically related to Taiwan, which follow preferred usage in Taiwan.

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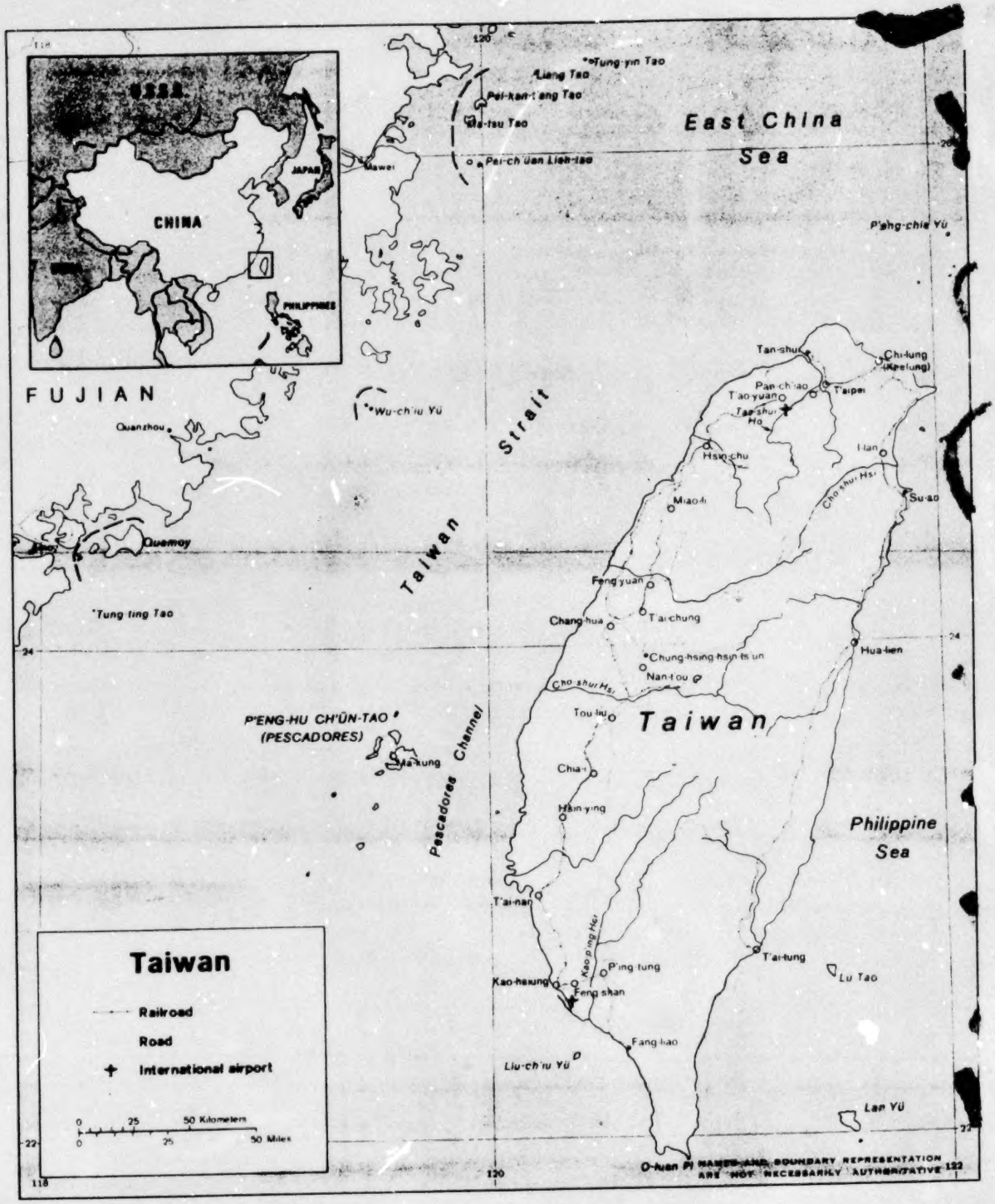
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P'ENG-HU CH'ÜN-TAO (PESCADORES)
Ma-kung
Tou-liu
Chia-i
Hsin-ying
Tai-nan
Kao-hsiung
Feng-shan
Ping-tung
Kao-ping Hsi
Fang-liao
Liu-ch'iu Yü
Tai-tung
Lu Tao
Lan Yü
O-luan Pi
Hua-lien
Su-ao
I-lan
Hsin-chu
Miao-li
Feng-yuan
Tai-chung
Chang-hua
Chung-hsing-hsin-ts'un
Nan-tou
Cho-shui Hsi
Tan-shui
Chi-lung (Keelung)
Pan-ch'iao
Taipei
Tao-yuan
Tan-shui Ho
P'eng-chia Yü
*Tung-yin Tao
Liang Tao
Pei-kan-t'ang Tao
Ma-tsu Tao
Pei-ch'uan Lieh-tao
Mawei
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PEOPLE

Taiwan has a population of 18 million, including about 120,000 on the Penghu Islands.

The native Taiwanese, who number more than 15 million, are descendants of Chinese who migrated from the crowded, coastal mainland areas of Fujian (Fukien) and Guangdong (Kwangtung) Provinces, primarily in the 18th and 19th centuries. The 2 million "mainlanders," who arrived on Taiwan in 1949 and thereafter, came from all parts of China. About 250,000 aborigines inhabiting the mountainous central and eastern parts of the island are believed to be of Malayo-Polynesian origin.

Education

More than 4.6 million people (about 25% of the population) attend school. This reflects the relative youthfulness of the island's population—about 43% under age 20. Since 1968, a 9-year, free educational system has been in effect. Six years of elementary school and 3 years of junior high school are compulsory for all children. About 60% of junior high school graduates pass examinations and enter 3-year senior high and vocational schools.

Taiwan has an extensive system of universities, colleges, and junior colleges. Other institutions of higher learning currently enroll almost 300,000 undergraduate and graduate students through competitive examinations.

In college level fields of study in 1981, engineering attracted the largest number of students—110,000—followed by social sciences with 106,000 and humanities with 29,000. Other popular fields were medical science (25,000) and education (19,200). Each year, more than 5,000 Taiwan students come to the United States for advanced education.

Languages

Most native Taiwanese speak a variant of the dialect of southern Fujian (Fukien). The Hakka dialect is spoken in Hsinchu and Miaoli, the two northwestern counties, and in small enclaves in the southern and eastern districts. As a result of a half century of Japanese rule, many Taiwanese older than age 50 also speak Japanese. Except for a few older people in Taiwan, all now speak Mandarin, the official Chinese dialect, which has been the medium of instruction in the schools for three decades.

The most commonly used Chinese romanization on Taiwan is the Wade-Giles system.

Religions

The predominant religion is a combination of Buddhism and Taoism, brought to Taiwan centuries ago by the original Chinese settlers of the island.

The Confucian ethical code, with its ancient rites and ceremonies, has long been considered the "religion" of Chinese literati and is considered by some to be the "official religion" of Taiwan today.

A few Chinese Muslims came to Taiwan with other refugees from the mainland after the communist victory in 1949. Christian missionaries have been active on Taiwan for many years, and today the island has more than 600,000 Christians, a majority of whom are Protestant.

Cultural Background

Taiwan's culture is a blend of its distinctive Chinese heritage and Western influences, both in art and technique. Fine arts, folk traditions, and popular culture embody traditional and modern, Asian and Western motifs. Interest in classical Chinese calligraphy and woodblocks remains great, while Western sculpture and painting are increasingly popular.

Dance includes court, aboriginal, and folk dances, as well as some fine modern troupes. One of the leading modern dance societies is the Cloud Gate Dance Ensemble, the dancers of which are trained in ballet, Chinese opera, and modern techniques. Exemplary of the new style combining Chinese and Western forms and ideas, the troupe's repertoire ranges from adaptations of Peking opera to avant-garde works.

Theater, which includes contemporary drama, traditional Peking opera, and the popular Taiwanese folk opera, combines music, dance, mime, costume, and acrobatics with nearly all other dramatic forms. These presentations are performed on stage and broadcast on radio and television.

Taiwan rivals Hong Kong in making Chinese motion pictures, producing between 150 and 200 films each year. Most screenplays are based on popular novels and are distributed in Hong Kong, Southeast Asia, Europe, and the United States.

One of Taiwan's great cultural treasures is the Palace Museum, home of one of the world's largest collections of Chinese art objects. The artifacts depict a civilization that spans more than 4,000 years, with some pieces dated as early as the Shang and Zhou dynasties. In the collection are bronzes and jades, painting and calligraphy, porcelains, carvings, and tapestry. The museum also has a rare-book library and has preserved thousands of centuries-old official documents. The Museum of History's gatherings, some of which are prehistoric, include bronze implements, coins, stone carvings, sculpture, pottery, furniture, costumes, and tablet rubbings. In addition to preserving articles of historical value, the museum promotes international understanding of Chinese culture.

Taiwan's cultural affairs bureau has laid out an ambitious plan to establish more than 60 cultural centers throughout the island. The project involves construction of concert halls, libraries, theaters, and auditoriums in several major cities. Also on the agenda are plans for marine, natural science, and science and technology museums. Along with these new additions, existing facilities such as the Science Educational Hall and Cathay Art Museum will be improved.

GEOGRAPHY

Although continuing its claim of sovereignty over all of China in the name of the "Republic of China," Taipei exercises control only over the island of Taiwan, the Penghu Islands (Pescadores), and about 20 very small "offshore islands," most near the Chinese mainland. Taiwan lies 130–200 kilometers (80–125 mi.) off the southeastern coast of the Chinese mainland. Taiwan's two major cities, Taipei and Kaohsiung, are administered as provincial-level municipalities. The rest of Taiwan and the Penghu islands to the west are administered together as the Province of Taiwan.

The offshore islands administered by the Taiwan authorities are considered by them to be a subdivision of the mainland Province of Fujian (Fukien). They consist of two principal islands—Jinmen (Quemoy) in Xiamen (Amoy) Bay and Matsu, 19 kilometers (12 mi.) off the mainland port city of Fuzhou (Foochow)—plus a few adjacent minor islands. The Taiwan authorities also occupy Pratas Reef and Itu Aba Islands in the South China Sea.

The island of Taiwan is about 365 kilometers (245 mi.) long and 100–145 kilometers (60–90 mi.) wide. A north–south mountain range forms the back-

bone of the island with the highest peak, Yu Shan, rising to 3,997 meters (13,110 ft.) above sea level. The eastern slope of this range is steep and craggy, but the western half of the island slopes gently to the sea and is fertile and highly cultivated.

The Tropic of Cancer bisects Taiwan slightly south of its midpoint. Taiwan's climate is semitropical, with June-August the wettest period and June-September the hottest. The island lies in the earthquake and typhoon belts and suffers periodic damage.

HISTORY

According to Chinese sources, Chinese migration to Taiwan began as early as A.D. 500. Taiwan seems to have been known, albeit vaguely, to Sung dynasty historians as early as the 10th century. Dutch traders first claimed the island in 1624 as a base for Dutch commerce with Japan and the China coast. Dutch colonists administered the island and its predominantly aborigine population until 1661. The first major influx of migrants from the Chinese mainland came during the Dutch period, sparked by the political and economic chaos on the Chinese coast during the twilight of the Ming dynasty and at the time of the Manchu invasion.

In 1664, a Chinese fleet led by the Ming loyalist Zheng Chenggong (known in the West as "Koxinga") retreated from the mainland and occupied Taiwan. Zheng expelled the Dutch and established Taiwan as a base in his attempt to restore the Ming dynasty. Zheng died shortly thereafter, and in 1683 Zheng's successors submitted to Manchu control.

Manchu China ruled Taiwan as a frontier district until it was declared a separate Chinese province in 1886. During the 18th and 19th centuries, migration from China's coastal provinces of Fujian (Fukien) and Guangdong (Kwangtung) steadily increased, and Chinese supplanted aborigines as the dominant population group. In 1895, a weakened Imperial China was forced to cede Taiwan to Japan following the first Sino-Japanese war.

During its 50 years (1895–1945) of colonial domination, Japan expended considerable effort in developing Taiwan's economy. The Japanese established agricultural research stations, farmers' cooperatives, and large-scale irrigation projects that raised Taiwan's agriculture from primitive subsistence farming to a thriving market economy. The construction of a modern transportation network and a series of hydroelectric and thermal power plants was the beginning of an economic infrastructure that became the foundation for Taiwan's later industrial development. Under Japanese rule, an advanced school system spread literacy and gave Taiwan an educated labor force.

At the end of World War II in 1945, Taiwan reverted to Chinese rule. During the immediate postwar period, the Nationalist Chinese administration on Taiwan was repressive and corrupt. These conditions led to extreme Taiwanese discontent with the newly arrived authorities from the Chinese mainland, and antimainlander violence flared on February 28, 1947. The February uprising was swiftly and brutally suppressed by Nationalist Chinese troops. Although Taiwanese and mainlanders have learned to live together amicably and prosperously over the ensuing three and one-half decades, a lingering distrust remains beneath the surface.

Toward the end of the civil war on the Chinese mainland, some 2 million predominantly military, bureaucrat, and business refugees fled to Taiwan; and, after the communist victory, Chiang Kai-shek established his "provisional" capital in Taipei in December 1949.

In early 1949, the Nationalist authorities started implementing a far-reaching and highly successful land-reform program. The redistribution of land among small farmers was followed by a significant increase in farm production. In the land-reform program, the Nationalist authorities compensated large landowners with commodities certificates and stock in state-owned light industries. Although some landowners were left impoverished by the compensation, others were able to turn theirs into capital with which to start new, non-agricultural commercial and industrial enterprises. These new entrepreneurs became Taiwan's first industrial capitalists who, with refugee businessmen from the mainland, managed Taiwan's transition from an agricultural to a commercial, industrial economy. Since 1949, Taiwan has developed steadily into a major international trading power. Tremendous prosperity on the island has brought economic and social stability.

ADMINISTRATION

The authorities in Taipei claim to be the government of all of China, including Taiwan. In keeping with that claim, they maintain in Taipei the full array of central political bodies originally established on the mainland before withdrawal to Taiwan. The governments of Taiwan Province and the special municipalities of Taipei and Kaohsiung are separately constituted local bodies distinct from the central administrative bodies.

Under the 1947 constitution, the sovereignty of the people is exercised by the National Assembly. This body was formed through elections in 1947 throughout China to fill its 3,045 seats on a territorial and occupational basis. The National Assembly currently has fewer than 1,400 members, including those added when new seats were created for Taiwan Province, Taipei City, and various occupational groups and women's organizations and when, in 1980, 99 new seats were created. All representatives elected in the 1947–48 period hold their seats "indefinitely," in view of the impossibility of holding new general elections for assembly members from constituencies on the mainland. In addition to electing the president and vice president, the National Assembly has the power to amend the constitution and the powers, as yet unexercised, of initiative and referendum.

The president stands above the five administrative branches (yuan): Executive, Legislative, Control, Judicial, and Examination Yuan. The president is assisted by the Office of the President, headed by a secretary general. With the consent of the Legislative Yuan, the president appoints the "premier," or "president," of the Executive Yuan, which constitutes the cabinet and is responsible for policy and administration.

The main lawmaking body, the Legislative Yuan (parliament), originally had 773 seats. With Taiwan's population growing, the authorities ordered supplementary elections in 1969 to add 11 new members. In 1972, triennial elections were inaugurated to fill the supplementary seats, and in 1980, 97 new seats were added. With the death or incapacitation of many older legislators elected in 1947–48, the Legislative Yuan membership is now less than 400. Mainlanders elected before 1949 are still in the majority, but the percentage of younger parliamentarians elected on Taiwan is increasing as older members die. Only about 200 members attend sessions regularly.

The other elected branch is the Control Yuan, which monitors the efficiency of the public service and investigates instances of corruption. Before 1980, the Control Yuan consisted of 42 members of the original 180 elected in 1948 and

10 supplemental members elected for 6-year terms beginning in 1972. The number of elective Control Yuan seats in 1980 increased by 22, and another 10 seats were created for appointees from among overseas Chinese communities.

The Judicial Yuan includes a 17-member Council of Grand Justices that, like the U.S. Supreme Court, interprets the constitution. Its jurisdiction includes civil, criminal, and administrative cases and cases concerning disciplinary measures against public functionaries. The Judicial Yuan also handles election suits. As the highest judicial organ, it is concerned only with final judicial decisions. The Executive Yuan administers the lower courts.

The Examination Yuan functions as a civil-service commission. It comprises two ministries: the Ministry of Examination, responsible for recruiting public functionaries through competitive examination, and the Ministry of Personnel, in charge of the registration of public functionaries, transfers, promotions, and commendations.

The top local administrative organs are the Taiwan Provincial Government (located in central Taiwan at Chunghsing New Village, near Taichung), Taipei Municipality, and Kaohsiung Municipality. The governor of Taiwan Province and the mayors of Taipei and Kaohsiung are appointed by the central authorities. The elected Provincial Assembly and city councils have limited authority over local affairs. Many positions at subordinate levels are filled by local elections.

Principal Officials

President—Chiang Ching-kuo
Vice President—Hsieh Tung-min
Premier—Sun Yun-suan
Vice Premier—Chiu Chuang-huan
President, Control Yuan—Yu Chun-hsien
President, Examination Yuan—Liu Chi-hung
President, Judicial Yuan—Huang Shao-ku
President, Legislative Yuan—Ni Wen-ya

Ministers

Communication—Lien Chan
Economic Affairs—Chao Yao-tung
Education—Chu Hui-sen
Finance—Hsu Li-te
Foreign Affairs—Chu Fu-sung
Interior—Lin Yang-kang
Legal Affairs—Li Yuan-tsu
National Defense—Soong Chang-chih

Ministers Without Portfolio

Fei Hua, Chou Hung-tao, Yu Kuo-hua, Li Kuo-ting, Chang Feng-hsu, Kao Yu-shu, Lin Chin-sheng

POLITICAL CONDITIONS

When President Chiang Kai-shek died on April 5, 1975, he was succeeded by Vice President Yen Chia-kan, who had been elected along with Chiang by the National Assembly to a 6-year term in 1972. Chiang Ching-kuo, elder son of Chiang Kai-shek, was elected in March 1978 by the National Assembly to a 6-year term as president, replacing Mr. Yen. The younger Chiang was premier from 1972 until his inauguration as president on May 20, 1978.

President Chiang Ching-kuo is also chairman of the ruling Kuomintang (KMT—Nationalist Party). He had assumed most of the day-to-day responsibility for governing long before his father's death, and his succession to his father's position as the most important political figure in Taiwan was expected and uneventful. As premier and president, Chiang Ching-kuo has been cognizant of the pluralistic nature of Taiwan's society and has sought to open up the political process to more Taiwanese participation while still maintaining effective KMT control.

The KMT organization closely parallels the administrative structure at all levels. Most of the top officials, including cabinet members and the governor of Taiwan Province, are members of its Central Standing Committee. The Standing Committee is elected annually by the Central Committee of the KMT from nominees proposed by the party's chairman. At lower levels, KMT committees are organized on a provincial, county, and district basis and in various vocational groupings.

Party funds are derived from dues and contributions paid by members and from the proceeds of party-operated businesses. The KMT has more than 2 million paying members, about two-thirds of whom are of Taiwanese origin. Most senior military officers and civilian officials are KMT members.

A revision of the constitution in 1948 granted virtually unlimited emergency powers to the president. These powers remain in effect and are the basis for strict security measures administered under martial law. Opposition to basic policy (such as expressing views contrary to the authorities' claim to represent all China, or supporting an independent legal status for Taiwan) is considered seditious and thus punishable under martial law. Otherwise, personal freedoms are considerable. Growing political liberty on local issues and gradual evolution toward a more open society are evident.

Taiwan's political system is effectively one party. Two minor political parties—the Democratic Socialist Party and the Young China Party—are formally organized but have no significant influence or following.

Candidates opposing the KMT run as independents or "nonpartisans," and even though the great majority of candidates elected are from the Nationalist Party, the independents have been increasingly successful at the polls. After the Legislative Yuan elections in December 1980, "nonpartisan" legislators coalesced into effective informal caucuses that, through skillful management of parliamentary procedure, have given the non-KMT politicians a measure of influence in central policymaking. Together with moderate Nationalist Party legislators, these "nonpartisans" present a political force that has the poten-

Travel Notes

Climate and clothing: Taiwan is hot and humid in summer and chilly and damp in winter. The climate in the northern half of the island resembles that of the south-central US; the southern part is similar to Florida. In winter, light jackets and sweaters are recommended; in summer, lightweight garments are essential. An umbrella is useful all year.

Immigration: For a stay of less than 2 weeks, a transit visa and confirmed onward passage are required; for a stay of less than 2 months, a tourist visa, valid for 1 month and extendable for another month, is required. Those coming from or passing through disease-infected areas should have inoculations as appropriate. Health requirements change; check latest information.

Health: Epidemics and serious diseases are infrequent in Taiwan. High pollen counts and air pollution can cause discomfort to people who suffer from allergies or asthma. Drinking water served at Taipei's major hotels is safe, but when dining elsewhere, drink only hot or bottled drinks.

Telecommunications: Telephone and telegraph services are modern and efficient. Bilingual assistance is available through most hotel switchboards. Telephone rates are inexpensive. Taipei is 13 hours ahead of eastern standard time.

Transportation: Car rentals are available in Taiwan. Although Taipei has an extensive bus system, foreign visitors tend to rely on the inexpensive taxis for transportation. The north-south freeway provides excellent links by car to the island's major cities. Currently, however, travel around the island by Taiwan's comfortable passenger express trains is recommended. Flights are available from Taipei to Kaohsiung (30 minutes), Hualien, Makung, Tainan, and Taitung.

tial of changing representative politics in Taiwan. In the 1977, 1980, and 1981 elections, "nonpartisan" candidates consistently captured about one-quarter of the seats. In the most recent elections (November 1981), 60% of the 40 candidates to whom the nonpartisans gave priority support were elected to office, and 4 of the 19 magistrates' seats, widely considered the most powerful local offices up for election, went to non-KMT candidates. Most independent politicians hold moderate opinions and see their primary purpose as implementing gradual change and providing a system of checks and balances in the political structure.

Although friction between mainlanders and native Taiwanese remains a problem, it has abated with time and the gradual melding of the two Chinese communities. In 1972, Chiang Ching-kuo, who was premier at that time, began a concerted effort to bring Taiwanese into more senior positions in the central administrative apparatus. Taiwanese now hold 7 of 23 ministerial positions in the cabinet and constitute about one-fifth of the KMT Party Central Committee. Of the some 2 million KMT members, 63% are Taiwanese. Taiwanese hold most of the elective and appointive positions at the provincial and local levels. Nonetheless, mainlanders continue to exercise overwhelming control in the central governing bodies.

Upon withdrawing from the mainland to Taiwan in 1949, President Chiang Kai-shek brought with him a relatively sophisticated bureaucracy, party organization, and military establishment designed on the scale of China as a whole and much larger than required to rule Taiwan. Despite the burden this bureaucracy placed on the island's limited resources, it contributed to the authorities' ability to implement policies to which they had earlier been committed but had been unable to carry out while governing the mainland. These policies, aided by generous U.S. aid in the early years and the hard work of the local population, greatly facilitated the island's rapid modernization.

ECONOMY

Over the past three decades, Taiwan has changed from an agricultural to an industrialized economy. Foreign investment, mostly from overseas Chinese, the United States, Japan, and Western Europe, helped introduce modern, labor-intensive technology to the island in the 1960s, but now the emphasis is changing from production of "light industry" consumer goods for export to more sophisticated heavy industry and technology-intensive industry.

In the decade 1973–82, the gross domestic product (GDP) rose at an annual average of 9.5% in real terms. During the recession following the 1973 oil embargo, Taiwan managed to overcome the slump in demand for its industrial exports by adopting a successful economic stabilization program. Also, 10 major infrastructure projects were launched to stimulate economic activity. Taiwan's economic planners hoped that the sharp increase in investment for the major projects, coupled with revived demand for the island's exports, would establish the bases for continued prosperity.

Major Infrastructure Projects

Most of Taiwan's 10 major infrastructure projects were completed by the end of 1978. They comprised:

- A north–south freeway linking the major cities of western Taiwan;
- A new international airport at Taoyuan near Taipei;
- Railway electrification;
- Modernization of the island's ports;
- Construction of a new port near Taichung;
- A rail link from Suao to Hualien;
- The island's first integrated steel mill;
- A major shipyard at Kaohsiung;
- Petrochemical plants; and
- Additional power plants.

These improved facilities and continuing, rapid, export-led industrial growth are the main factors in the island's continuing evolution from an underdeveloped society into a modern industrial society.

Late in 1977, 12 new projects were announced, most of them complementary to the original 10 major construction projects. These include constructing additional highways, completing a rail network around the island, finishing the second phase of the integrated steel mill, constructing the island's second and third nuclear power plants, expanding Taichung Harbor, constructing new towns and housing, improving irrigation and flood control, financing farm mechanization, and constructing local cultural centers. The projects are designed to ensure progress in transportation, electric power, an improved industrial base, and accelerated farm modernization. The major construction period is 1979–84, aimed at bringing Taiwan into the ranks of the developed economies by 1989. About 30% of the cost will be financed through foreign capital.

The authorities encourage foreign investment to help finance the island's efforts to move away from light, labor-intensive export-oriented industry to more capital-intensive production for export and for secondary import substitution. Based on Taiwan statistics, approved foreign investment projects exceed $1.9 billion. In 1981, American companies obtained approval to invest more than $200 million in Taiwan.

Textile production, although of declining importance, remains Taiwan's most important industrial sector. The electronics industry is second in size and is the largest recipient of U.S. investment. Other important export industries include plastics, toys, sporting goods, footwear, and furniture. Taiwan's industrial structure is highly labor intensive, taking advantage of the island's skilled and moderately salaried labor force.

Taiwan's economic future is based on a shift in industrial structure toward one that is more capital intensive and more energy efficient. Taiwan's economic policymakers aim for export industries to account for 80% of the gross national product (GNP) by 1989. Taiwan has indicated that it wishes to reduce its reliance on the U.S. and Japanese markets and to compete with them increasingly, while becoming a major trading partner with South America and Africa. The plan forecasts the industrial sector of the GDP to increase 10% annually, while agriculture's share will continue to decline.

Much of Taiwan's industrial production takes place in export processing zones (EPZs) in the Kaohsiung Harbor area, at Nantze near Kaohsiung, and at Taichung. EPZs combine the advantages of an industrial zone and a free-trade area and have attracted considerable foreign investment.

The focus of Taiwan's thrust into high technology is the Hsinchu science-based industrial park. Opened in September 1980, the park serves as a catalyst in restructuring Taiwan's industry. Nineteen of the 35 firms that have received permission to join the park have commenced operations, including Taiwan's first mass producers of integrated circuits and silicon wafers.

The goal for the 1980s is to attract $1 billion of foreign and domestic investment from 200 companies employing 30,000–40,000 workers. To date, the average investment per firm has been $1.5 million. The park seeks investment in five broad sectors:

- Electronics and information processing;
- Precision instruments and machinery;
- High-technology material sciences;

- Energy sciences;
- Aeronautical engineering; and
- Genetic engineering.

Twenty-four of the 35 investment applications approved so far have been in electronics and information processing. Growth of the industry depends largely on the flow of foreign investment, and the science park offers incentives to investors including tax holidays, lower-than-standard company taxes, and duty-free importation of machinery, equipment, and raw materials.

In addition, improved port and harbor facilities have been keeping up with sharply rising demand, and international air-transport service is excellent. Taiwan has one of Asia's best internal transportation networks.

Foreign Trade

Foreign trade has been a major factor in Taiwan's rapid growth over the past 30 years. The value of trade roughly tripled in each 5-year period since 1955 and increased nearly four-fold between 1975 and 1980. Taiwan's exports have changed from predominantly agricultural commodities to 90% industrial goods. Imports are dominated by raw materials and capital goods, which account for more than 90% of all imports. Taiwan imports more than 75% of its energy needs.

The United States is Taiwan's largest trading partner. Approved U.S. private investment in Taiwan since 1954 amounts to about $1 billion. In 1981, total two-way trade was approximately $13 billion, mainly in U.S. exports of farm products and machinery and U.S. imports of textiles and appliances. In 1981, Taiwan had a trade surplus of $3.4 billion with the United States. However, Taiwan's chronic trade deficit with Japan was almost equal to its trade surplus with the United States in that year, repeating a pattern that has occurred frequently in past years. The United States and Japan account for more than half of Taiwan's foreign trade. Other important trade partners are Hong Kong, Kuwait, Saudi Arabia, the Federal Republic of Germany, Australia, and Indonesia. The lack of formal diplomatic relations with all but a few of its trading partners has not hindered rapidly increasing commerce.

Agriculture

Taiwan's agricultural sector is extremely productive. Although only about one-quarter of the territory is arable, virtually all farmland is intensively cultivated, with some areas suitable for two and even three crops per year.

Further Information

These titles are provided as a general indication of material published on Taiwan. The Department of State does not endorse unofficial publications.

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However, increases in agricultural production have been much slower than industrial growth; in fact, in 1981 agricultural production declined by about 0.6%.

Taiwan is self-sufficient in rice production but imports large amounts of other foodgrains, mostly from the United States. Meat production and consumption are rising sharply, reflecting a rising standard of living. Taiwan exports large amounts of frozen pork. Other agricultural exports include sugar, canned mushrooms, canned asparagus, bananas, pineapples, citrus fruits, fresh vegetables, and tea.

Taiwan has a large fishing fleet and is an important exporter of fish. Taiwan's deepsea as well as inshore fisheries have increased steadily each year.

Economic Outlook

With total two-way trade nearly 50% of its GNP, Taiwan's economy is extremely vulnerable to developments in its principal export markets. Due to the recent worldwide recession, Taiwan's GNP growth rate during 1981 reached only 5.5%, the lowest in the past 6 years. In 1982, real GNP growth was 3.76%, the lowest since 1974.

Nevertheless, Taiwan's economic performance is still positive by international standards. Its current economic indicators are low by Taiwan standards only because of its remarkable record over the past 25 years. Taiwan will encounter difficulties as it switches to more sophisticated products of heavy industry and is forced to compete for export markets with more developed countries.

DEFENSE

The maintenance of a large military establishment, which absorbs about 9% of the gross national product (GNP) and accounts for about 40% of the central

budget, places a substantial but manageable burden on Taiwan's expanding economy. The armed forces number about 500,000; two-thirds are ground forces, and the rest are split about evenly between air and naval personnel including marines. The reserves total more than 2 million troops. Conscription is universal for men over age 19.

Taiwan's armed forces are equipped with weapons obtained primarily from the United States, but in recent years stress on military "self-reliance" has resulted in the growth of domestic military production in certain fields. Taipei adheres to the nuclear nonproliferation treaty and has stated repeatedly that it does not intend to produce nuclear weapons.

FOREIGN RELATIONS

The People's Republic of China replaced Taiwan at the United Nations in 1971. Since then, Taiwan's diplomatic position has been gradually eroded, as more and more countries changed their official recognition from Taipei to Beijing. Currently, Taiwan has formal diplomatic ties with 23 countries.

Taiwan has cultivated informal ties with many countries as a means to offset its diplomatic isolation and to expand its economic relations. A growing number of nations have found it useful to set up unofficial organizations to carry out commercial and other unofficial relations with Taiwan. These organizations typically have representatives in Taipei, who provide services required by business travelers and others to or from their countries. A counterpart organization is usually set up by Taiwan in those countries.

THE UNITED STATES AND TAIWAN

On January 1, 1979, the United States switched its diplomatic recognition from Taipei to Beijing. In the U.S.-P.R.C. Joint Communique that accompanied that action, the United States recognized the Government of the People's Republic of China (P.R.C.) as the sole legal government of China and acknowledged the Chinese position that there is but one China and Taiwan is part of China. The Joint Communique also stated that "within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan."

On April 10, 1979, President Carter signed into law the Taiwan Relations Act, PL 96-8 (TRA), which created domestic legal authority for the conduct of unofficial relations with Taiwan. American commercial and cultural interaction with the people of Taiwan is facilitated through the American Institute of Taiwan (AIT), a nongovernmental entity. The institute has its headquarters in Washington, D.C. and field offices in Taipei and Kaohsiung. AIT is authorized to accept visa and passport applications and to provide assistance to U.S. citizens in Taiwan. A counterpart organization, the Coordination Council for North American Affairs (CCNAA), has been created by Taiwan. It has headquarters in Taipei and field offices in Washington, D.C. and nine other U.S. cities.

On January 1, 1979, at the time of derecognition, the United States notified the Taiwan authorities of intent to terminate the 1954 Mutual Defense Treaty, and the termination took effect January 1, 1980. However, in its unilateral statement released on December 15, 1978, concurrently with the Joint Communique on the Establishment of Diplomatic Relations Between the United States and the People's Republic of China, the United States declared that it "continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves."

Since derecognition, the United States has continued the sale of carefully selected defensive military equipment to Taiwan. The August 17, 1982 U.S.-China Joint Communique addressed this point. In that communique, the P.R.C. cited a "fundamental policy" of striving for peaceful reunification of Taiwan with mainland China and a peaceful solution to the Taiwan question. With that Chinese policy in mind, the United States stated in the communique that "it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan. . . ."

Future arms sales to Taiwan will accord with the policies contained in the August 17, 1982 communique. In conjunction with the issuance of that communique, President Reagan issued a statement that "regarding future U.S. arms sales to Taiwan, our policy, set forth clearly in the communique, is fully consistent with the Taiwan Relations Act. Arms sales will continue in accordance with the act and with the full expectation that the approach of the Chinese Government to the resolution of the Taiwan issue will continue to be peaceful . . . The position of the U.S. Government has always been clear and consistent in this regard. The Taiwan question is a matter for the Chinese people, on both sides of the Taiwan Strait, to resolve. We will not interfere in this matter or prejudice the free choice of, or put pressure on, the people of Taiwan in this matter. At the same time, we have an abiding interest and concern that any resolution be peaceful."

U.S. commercial ties with Taiwan have been maintained and expanded since derecognition. Taiwan continues to enjoy Export-Import Bank financing, Overseas Private Investment Corporation (OPIC) guarantees, most-favored-nation status, and ready access to U.S. markets. The U.S. Agency for International Development (AID) Mission in Taiwan was closed in 1965. More than $1.7 billion in U.S. economic aid had been provided between 1949 and 1965.

Normalizing relations with the P.R.C. has been recognized to be in the long-term interest of the United States by four consecutive administrations. The United States is committed to this effort because it is important for America's global position and for peace and stability in Asia.

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